

THE *Dan Smoot Report*

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DAN SMOOT

Tax Breaks for Foreign Aiders

On January 28, 1958, Ted Lewis, in his column, "Capital Circus," the New York *Daily News*, said:

"In the last 24 hours the White House has given its blessing to a big privately financed grass roots campaign aimed at putting public pressure on a reluctant Congress to okay President Eisenhower's \$3.9 billion foreign aid program. . . .

"There will be an immediate drive to raise \$1,700,000—and here is the fascinating teaser—there will be two privately financed organizations, each so contrived that contributors to the kitty will get tax breaks.

"This idea of a tax break for citizens supporting the Administration's controversial foreign aid policies is novel and obviously an inducement to a lot of people who favor the pouring of taxpayers' money abroad. . . .

"What was agreed to at the White House session was a plan for quick formation of the two organizations. One will be called the Committee for International Economic Growth. This will be a non-profit business organization, with contributions from corporate donors being gratefully received, and with an incentive also to those who give. The contribution can be listed in tax returns as a normal deductible 'business expense.' At least this is the informal ruling of the Internal Revenue Service.

"The other organization will be called the Foundation for Education on International Economic Relations. This also will be a non-profit setup so that financial supporters can get a limited tax deduction for what they toss into the propaganda kitty.

"It is hoped that at least half of the \$1,700,000 wanted in a hurry can be raised ahead of a huge pep rally of several thousand aid advocates slated for February 25. The date is significant. It is the day after House Committee hearings will start on the foreign aid appropriation request."

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Snow Job for Foreign Aid

On February 13, 1958, Congressman Otto E. Passman (Democrat, Louisiana), speaking on the floor of the house, commented on the February 25 foreign-aid propaganda meeting.

Congressman Passman said:

"This program in the Nation's Capital, which will constitute perhaps the largest and most distinguished single lobbying effort ever undertaken in an attempt to sell the American people and the Congress on any matter at all, will mark the grand opening of Mr. Eisenhower's all-out move to whip up support for his administration's vast and, in many instances, wasteful and basically ineffective foreign spending policy....

"There has probably never been devised in our Nation a more actively functioning propaganda machine than the one which is operated by the advocates of free-spending foreign aid, with powerful pressure groups pushing the program, seeking spending far in excess of the needs justifiable by the facts. Large numbers of our highest paid bureaucrats and their subordinates are working without letup to convince the American people and the Members of Congress that the foreign aid program is indispensable, and that ever more funds are required to support it. Further, representatives of numerous foreign nations are exerting extreme efforts to influence larger contributions for their particular countries. And, disappointing as it certainly is, many of our Nation's big business firms—manufacturers, bankers, shippers, brokers, and others—with profitable contracts through the program, are strong advocates of everlasting, bigger spending foreign aid.

"A favorite foreign-aid gambit during the past several years has been the appointment of committees and commissions. There were, for example, the Gray Commission, Eric Johnston's committee, Nelson Rockefeller's group, the Fairless Commission, and others instructed to report on foreign aid.

"It has become obvious that these commissions are taken in hand and into camp by the bureaucrats. It amounts to about this: These businessmen are brainwashed and sent around the world. When they get to the foreign countries, they are assailed by our other bureaucrats abroad, who are getting automobiles, homes, servants, and all manner of luxuries, such as the vast majority of them, if actually any of them, never enjoyed before. Some of these bureaucrats are Socialists and some of them are worse. They have a common talent though, and that is being able to hoodwink so-called investigating committees before, during, and after these much-heralded tours.

"With this big foreign-aid snow job falling here on February 25, it is well that not only the visiting organization representatives should be cautioned, and the American people as a whole, but also Members of the Congress. Talk, such as the foreign-aid lobby has been dispensing, and is now about to increase, concerning dedication to common ideals, free-world unity, and similar remarks, is pleasing to hear; but it is not so potent as facts.

"There are 87 nations in the world; and so great has been the propaganda and pressure, now being stepped up far beyond even past proportions, for a more widespread, complex and confusing program of foreign aid on the part of the United States, there are now in the program, past and present, funds for 70 members of the world of nations. Expressed another way, with the United States as the donor, only 16 nations in all the world are not receiving, or have not received, some type of aid under the program. And the total of aid which the United States has given since the end of World War II is \$67 billion—give or take a few billion, according to the statistics used.

"Remember, this program is built from the bottom up, not from the top down. Under the mode of operation, the majority of the nations receiving this aid will have military groups plugging for more funds. And, in the same nations, there are civilian groups handling the economic and technical aid programs, and they

are also constantly beating the drums for increases for the particular nation in which they are stationed. The heads of these missions, both military and civilian, have created little empires of their own, thousands of miles from home. If they can in any manner avoid it, they have no intention of losing this fancy living and prestige.

"Furthermore, and the facts are of record, vast sums of this money have been going to Communist governments, to dictatorships, and to other nations we cannot rely upon as friends. . . .

"Unfortunately—and no amount of idealistic lobbying or political coverup or seeking for advantage can prove it differently—our foreign-aid program has to a large extent degenerated into a miserable mess in which, for example, the United States is paying glorified blackmail to unfriendly regimes in many countries to deter them from running off to Russia for help. But in most instances Russian help is limited to promises. It has not been successfully refuted what Russia's Lenin taught, loosely translated, 'Give the United States sufficient time and it will spend itself into bankruptcy.'

"Furthermore, we keep on giving great sums of United States taxpayers' money to governments already in the Communist orbit—wishing that some day they will somehow free themselves from the clutches of the dictators in the Kremlin. And to practically all of the governments, friendly and unfriendly, huge sums of the foreign aid money from free-enterprise America are given, and accepted and used, for the purpose of socializing their industry and commerce and agriculture.

"During an inspection of foreign aid program operations last year . . . I studied the program in France and Italy, in Greece and Turkey, in Lebanon and Pakistan, in Thailand, and in other nations. . . .

"About \$3 billion of our money has been used by the recipients to reduce their national debts—while our own debt spirals up to disastrous proportions. In fact, so great has been our spending that our own public debt now

exceeds the consolidated public debts of all other nations of the world by \$68 billion. . . .

"I was literally sickened by much of what I saw for myself, and learned otherwise.

"I visited one nation where the strongman of the country, which we are substantially subsidizing, is suspected of being a full-fledged partner in an illegal opium operation. This same strongman owns some 30 different businesses, and practically everything purchased for his government, military, and other purchases, must be requisitioned through one of his companies.

"Has there been successful refutation that Lebanon, with a relatively healthy economy, is being subsidized with United States aid merely to guard against offense being taken by the Lebanese Government because of aid being given to some of the other countries in the area?

"Or that Oman—or Muscat—refused a United States offer of \$2 million in aid because this was not as much as had been given to another country in the vicinity?

"Or, Mr. Speaker, have the reports of other giveaways such as these been successfully refuted:

"Shiploads of foreign-aid farm tractors and other machinery rusting and falling apart on the docks in certain Middle-Eastern countries?

"The providing of public baths for camel-drivers?

"Free airplane transportation for thousands of Arabs to visit Mecca, their religious shrine?

"Five million dollars in subsidies for wealthy Iranians to complete college?

"A supply depot in Laos, with a total population of about a million and a half, crammed with drugs and other expensive medical material in sufficient quantities to care for much of the whole of Southeast Asia?

"And, lest I forget, dress suits for Grecian undertakers? . . .

"The sending of 'Satchmo' Armstrong and 'Dizzy' Gillespie and their bands as ambassadors of American culture to foreign lands, at thousands of dollars weekly in costs!

"The giving to Afghanistan, where the populace rides camels and the main requisite is to teach the people how to read and write, of \$14.5 million to start 5 airports and provide electronic equipment for another!

"The granting to India in 1954 of \$1.5 million of prefabricated steel to erect grain silos and warehouses, with most of the material sitting unused last fall. And then, 2 years later, approving an additional \$4 million for several hundred more warehouses, notwithstanding the fact that nothing had been done about using the materials already sent! . . .

"But, Mr. Speaker, aside from these and countless other examples of record—of poor judgment and waste and inefficiency on the part of administrators of the foreign-aid program and possible trickery and bribery and fraud on the part of some of the recipients—have the constructive features of foreign aid been worth the staggering cost to this Nation of more than \$67 billion since the end of World War II? Has the program served significantly to strengthen the peace and security of the United States and the free world? . . .

"They have not. . . .

"Russian communist world influence has spread and strengthened, while American prestige throughout the world has weakened—and we, not the communists, have been the practitioners of the prolific and terrific world-wide spending.

"No matter that the program has proved to be the most expensive folly in which this country has ever engaged, the foreign-aid lobbyists boldly continue to seek more American dollars as the cure for the ills—notwithstanding the abundance of the facts to the contrary. . . ."

* * * * *

A Tree Grows in Washington

On February 27, 1958, Congressman James B. Utt (Republican, California), in his regular newsletter to voters back home, had the following to say about our foreign aid pro-

grams in general, and about the current propaganda drive for foreign aid in particular:

"You have heard about the tree that grew in Brooklyn. Now I'll tell you about one of the bureaucratic trees that grows in Washington.

"In 1948, the Economic Cooperation Administration, which has had several fancy names—the last of which is the International Cooperation Administration (ICA)—had 500 employees. By 1953, it had 4,000. In 1957, it had nearly 13,000, and still appears to be growing.

"Last year when Congress cut over a billion dollars from the ICA budget (foreign aid), we were told that this cut would practically put them out of business. However, within a month after adjournment, ICA expanded its personnel by at least 1,000 employees. Of course, in last year's authorization there was a sleeper in the form of lending authority to foreign enterprises which in fact will turn out to be free grants, for the simple reason that the borrower has to prove that he cannot borrow from private banking concerns nor from the World Bank nor from the Export-Import Bank. Most of the capital for these two banks is supplied by the American Government. Now, if the risk is too great for these two liberal lending institutions, they can apply to ICA for a loan.

"The Administration's request for foreign aid for the coming fiscal year is around four billion dollars.

"In order to give you some idea as to how much four billion dollars is, may I say that it is four times the total assessed valuation of Orange County (California), including our oil, our industries, our farm land, our homes, and Disneyland thrown in? It is equal to one-half of the total income taxes collected from the State of California in one year.

"Much ado has been made about unmoral lobbyist tactics. In fact, President Eisenhower vetoed the Natural Gas Act of 1956 solely upon the ground of ill-advised lobby pressure,

centered around the \$2,500 campaign donation offered to a certain Senator. Two weeks ago, there was great indignation shown because a certain man in Texas indicated in a letter that some of the money raised at the \$100 a plate dinner in Houston would be used to promote the Natural Gas Act of 1958; and the President and the Chairman of the Republican National Committee quickly issued a statement that none of that money would be accepted by the National Committee.

"Against this backdrop, let us take a look at what happened in Washington on February 25, just two days ago. A national committee of 1500, headed by 'one worlder' Eric Johnston, gathered for the express purpose of raising a million and a half dollars of tax-free money for the avowed purpose of lobbying a single bill through Congress which would cost the American taxpayers four billion dollars.

"The jewel of consistency is certainly tarnished. In order to make this committee more palatable, high ranking Democrats throughout the nation have been included in order to keep the left-wing commentators from blasting the project out of water. Present at this meeting were President Eisenhower and ex-President Truman, Vice President Nixon and Adlai Stevenson, Secretary Dulles and ex-Secretary Acheson, and so on down the line, with each Republican having his Democrat counterpart.

"The tab for this clambake was picked up partially by certain large corporations (tax free) which would profit immensely through the sale of heavy equipment under the foreign aid program, and partially by the President's contingent fund.

"The American taxpayer should condition himself to the greatest 'snow job' in history. If, after ten years and the expenditure of seventy billion dollars on this program, the American taxpayer is convinced that it is not a proper role for our government to play, why should his intelligence be insulted by such a fiasco?

"I received an invitation from Eric John-

ston (on White House stationery) and the content of this report was my reply.

"They propose to spend on this lobby job about \$9,000 for every million inhabitants in our country. The Twenty-Eighth Congressional District (California) has nearly one million population; and I propose to spend at least \$5,000 in my District as an offset to this propaganda, and I sincerely hope that the Internal Revenue Bureau will be as gracious with me in allowing this amount as a tax deduction as they were with the Eric Johnston Committee.

"At least I will close this report in a lighter vein by resurrecting an old bromide of the Truman administration. The Prince of Monaco was visiting the White House and the President asked him if there were any communists in Monaco. The Prince replied that there were absolutely none.

"The President said, 'That's too bad, we can't give you any foreign aid.'

"The Prince hurried home to his castle and sent a telegram to the Foreign Minister of France, Bidault: 'You've got a lot of communists. Send me a dozen; I need them desperately.'

"Bidault replied: 'I'm sorry, I can't let you have any communists because I need every one I've got here; otherwise the United States will cut our credit.'"

* * * * *

But If You Are Against Foreign Aid...

Compare the snow-job on foreign aid, with the case of For America, a patriotic organization formed in 1954 to oppose such governmental programs as foreign aid.

On March 19, 1955, the National Policy Committee of For America announced:

"For America has decided henceforth to employ every proper means for the reestablishment of constitutional government in the United States, with emphasis upon States Rights and local governmental responsibility. The Committee recognized that a long-continued mistaken foreign policy has been mainly responsible for the disregard and misconstruction of the Constitution of the United States. The same mistaken foreign policy has squandered and is now squan-

dering the taxpayers' money in fruitless foreign aid programs and in dangerous and expensive foreign entanglements."

On September 19, 1955, the Treasury Department denied For America tax-exemption as an educational organization, on the grounds that For America was "engaged in activities of a political nature"—such as, "advocating a reduction on all pending Congressional spending plans, with particular reference to foreign aid, pressing for immediate adoption of recommendations of the Hoover Commission, and advocating changes in United States foreign policy."

On October 6, 1955, General Robert E. Wood, then National Co-Chairman of For America, wrote the Secretary of the Treasury, saying:

"For America finds it impossible to reconcile this interpretation with the many tax exempt organizations which are today actively engaged in political activities. And almost without exception, these organizations are left-wing, internationalist, and un-American in the scope of their endeavor.

"In support of this statement, I am attaching a partial list of tax exempt organizations engaged in political activities. . . . For America . . . accepts the decision . . . that we are not entitled to tax exemption. However . . . For America protests the fact that the Treasury Department continues to tax exempt a great many political action groups, mostly left of center and diametrically opposed to the American way of life."

For America gave the Treasury Department the names of more than 50 outfits which are constantly lobbying for specific leftwing legislation and agitating for political union between America and other nations, and promoting one-world government.

For America officials kept up a running correspondence with the Secretary of the Treasury, asking him how he was getting along in his "investigation" of the tax-exempt organizations which are engaging in political activity. The Secretary, or someone for him, would dutifully acknowledge the letters and indicate that something was being done.

On September 26, 1956, the Secretary wrote that some of the organizations on For America's questioned list "are abiding by the purposes which gave them their original exemption."

On November 5, 1956, Brigadier General

Bonner Fellers, National Director of For America, wrote the Secretary of the Treasury, saying, in effect:

Yes, we know they are abiding by their purpose. They were organized for political action against the best interests of the United States. They received tax exemption from the United States Treasury for that political action; but you denied tax-exemption to For America because we were engaged in political action.

The Secretary of the Treasury never answered that letter.

Another letter that the Secretary may have difficulty in answering is the one that J. Bracken Lee, National Chairman of For America, wrote him on February 4, 1958.

Governor Lee said:

"For America is amazed with the procedures which it is reported that our Government is resorting to in order to raise funds for Eric Johnston to promote foreign aid. . . .

"It would appear, Mr. Secretary, under the Internal Revenue Service 1955 ruling (concerning For America) that contributions to organizations opposed to foreign aid *are not deductible*, but under this recent determination contributions to organizations endorsing foreign aid *are deductible*."

* * * * *

What Could We Do?

If taxpayers in every Congressional district would let every candidate for Congress know that no one who supports foreign aid will be elected this year, foreign aid would be discontinued.

* * * * *

Surplus Disposal Program

On February 19, 1958, the Senate Agriculture and Forestry Committee reported out a bill (Public Law 480) to extend the Agricultural Trade Development and Assistance Act. The bill is now pending in the House Agriculture Committee.

This legislation is the principal authorization for our extraordinary program of disposing of American agricultural surpluses abroad.

Here is the way the program works:

We "sell" India \$305,900,000.00 worth of

American agricultural commodities. Then we pay out \$54,200,000.00 to haul the goods to India.

But India doesn't actually pay us \$305,900,-000.00. She merely appropriates the equivalent of that much money in rupees. We then lend back to India \$234,000,000.00 of the total amount. We spend the rest of the money in India. Two or three million dollars, perhaps, will be used to pay the rent on American government offices in India. But most of the money which India "paid" us for our agricultural goods will be spent to buy Indian goods—which we then pay transportation on, hauling them off to give away to some other foreign government.

We have such deals as this working with communist Yugoslavia, and Poland—indeed with communist and socialist governments all over the earth.

The over-all cost to American taxpayers runs into undetermined billions every year.

Some of the absurd consequences are obvious.

1. By giving the stuff away, we hurt the markets for everyone (Americans and foreigners alike) who would like to sell agricultural goods.

2. We enable socialist and communist governments abroad to provide American food-

stuffs for their people at prices lower than what the same American foodstuffs cost American consumers. This gives the socialist and communist governments an effective means of controlling their populations—anyone who doesn't go along with them won't get any of the foodstuffs which the governments have "obtained" for them from "greedy American capitalists."

3. The taxes and controls which enable our government to use American goods for the support of foreign socialists and communists also socialize the American economy.

4. We make enemies all over the earth, but no friends. The socialist and communist governments which get the stuff from us never admit that it was a gift.

They tell their people that they bought it from American capitalists at exorbitant prices. Thus, the very people who eat our foods hate us because they believe that we bled them for it. The governments which know that the stuff was a gift are contemptuous of us for being soft-headed; and they hate us because we didn't give them more—or because we gave something to their enemies, or gave someone else more than they got.

On February 24, 1958, the American Enterprise Association, 1012 14th Street N.W., Washington, D. C., published a scholarly study of this important problem. The study was

WHO IS DAN SMOOT?

Dan Smoot was born in Missouri. Reared in Texas, he attended SMU in Dallas, taking BA and MA degrees from that university in 1938 and 1940.

In 1941, he joined the faculty at Harvard as a Teaching Fellow in English, doing graduate work for the degree of Doctor of Philosophy in the field of American Civilization.

In 1942, he took leave of absence from Harvard in order to join the FBI. At the close of the war, he stayed in the FBI, rather than return to Harvard.

He served as an FBI Agent in all parts of the nation, handling all kinds of assignments. But for three and a half years, he worked exclusively on communist investigations in the industrial midwest. For two years following that, he was on FBI headquarters staff in Washington, as an Administrative Assistant to J. Edgar Hoover.

After nine and a half years in the FBI, Smoot resigned to help start the Facts Forum movement in Dallas. As the radio and television commentator for Facts Forum, Smoot, for almost four years spoke to a national audience giving both sides of great controversial issues.

In July, 1955, he resigned and started his own independent program, in order to give only one side—the side that uses fundamental American principles as a yardstick for measuring all important issues. Smoot now has no support from, or connections with, any other person or organization. His program is financed entirely from sales of his weekly publication, *The Dan Smoot Report*.

If you believe that Dan Smoot is providing effective tools for those who want to think and talk and write on the side of freedom, you can help immensely by subscribing, and encouraging others to subscribe, to *The Dan Smoot Report*.

written by Raymond F. Mikesell, Professor of Economics at the University of Oregon, who was recently a senior staff member of the President's Council of Economic Advisers, and who has held several other key federal jobs.

The American Enterprise Association published Professor Mikesell's study as a 52-page pamphlet. Price: \$1.00. If you wish to secure a copy of this pamphlet, order direct from AEA at the above address; *do not order from us.*

Professor Mikesell calls our foreign disposal program "an engine for continuing over-production," and a "complicated scheme for giving away our agricultural surpluses."

He says:

"There is considerable evidence to indicate that if the United States had not priced itself out of the world market for certain commodities and had not encouraged foreign production for export by its own high-support prices, U. S. agricultural exports could have been fairly well maintained during the postwar period without special disposal programs. . . .

"Not only does the price-support system encourage the retention in agriculture of labor and capital which could be producing a higher social value product elsewhere, but it tends to keep average costs in agriculture high by preserving less efficient farm units and restricting the application of technological improvements."

Professor Mikesell contends that our surplus disposal programs are hurting our relations with other agricultural exporting countries. He cites formal complaints that have already been made by Australia, Canada, Den-

mark, Burma, Netherlands, Mexico, Argentina, and New Zealand.

He says:

"The Canadians have been especially vocal in their accusations that the United States has displaced their wheat markets by means of subsidies and other concessions, including generous credits."

The question, what should we do about all this, is easy to answer: we should demand outright repeal of the Agricultural Adjustment Act, which is the basis of all the government's "farm programs"; and we should tell Congress not to extend the Agricultural Trade Development and Assistance Act (Public Law 480) which authorizes the surplus disposal programs.

The gentlemen in Congress most directly concerned with these laws are the members of the House Committee on Agriculture:

Harold D. Cooley, Chairman,
North Carolina
W. R. Poage, Texas
George M. Grant, Alabama
E. C. Gathings, Arkansas
John L. McMillan,
South Carolina
Thomas G. Abernethy,
Mississippi
Carl Albert, Oklahoma
Watkins M. Abbit, Virginia
James G. Polk, Ohio
Clark W. Thompson, Texas
Paul C. Jones, Missouri
John C. Watts, Kentucky
Harlan Hagen, California
Lester R. Johnson, Wisconsin
Victor L. Anfusio, New York
Ross Bass, Tennessee
Coya Knutson, Minnesota

W. Pat Jennings, Virginia
D. R. (Billy) Matthews, Florida
William S. Hill, Colorado
Charles B. Hoeven, Iowa
Sid Simpson, Illinois
Paul B. Dague, Pennsylvania
Ralph Harvey, Indiana
Page Belcher, Oklahoma
Clifford G. McIntire, Maine
William R. Williams,
New York
Robert D. Harrison, Nebraska
Henry Aldous Dixon, Utah
Wint Smith, Kansas
Otto Krueger, North Dakota
Charles M. Teague, California
Donald E. Tewes, Wisconsin
E. L. (Bob) Bartlett, Alaska
A. Fernós-Isern, Puerto Rico
John A. Burns, Hawaii

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